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Every man his own banker

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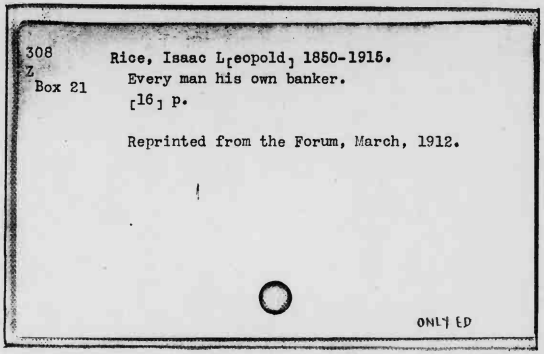

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I

ALTHOUGH at the time only a small boy, I still have a vivid recollection of the scarcity of fractional currency in the earlier part of our Civil War. The stringency was so acute that the issue of paper money to take the place of the silver which had been hoarded could not await the pleasure of the Government. It had to be taken in hand immediately by every butcher, baker and candlestick-maker. When the housewife presented her dollar bill to the butcher for a pound of meat that cost twelve cents he gave her as change an order on himself to the amount of eighty-eight cents. With this order she went next door to the baker and bought a loaf of bread for ten cents and received as change an order for seventy-eight cents which she expended, as the day progressed, in other purchases, obtaining similar orders as change; and thus every tradesman became his own banker and manufactured his own money by converting his commodities into currency. It was an episode indicative of universal trust and confidence of each man in his neighbor—an ideal condition, based on the belief not only of the absolute honesty but also of the unerring business judgment of every tradesman whose order on himself circulated as money.

There are no statistics as to the extent of this commodity currency or the degree at which it was finally redeemed. It is certain that its duration was short, as the Government soon stepped on the scene with its fractional currency from three cents up, which, though greatly depreciated during the course of the war, nevertheless was found more satisfactory than the ideal currency which it displaced.

I surmise that but few of the butchers and bakers and grocers who became their own bankers, were aware of the fact that they were adopting theories which were capable of universal application, and probably none of them had ever heard of Monsieur François Bonnard and his "Bank of Exchange,"

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which actually lived and for a time flourished in Marseilles and Paris from 1849 to 1859. Basing himself on the writings of the physiocrats, who taught that money was merely a medium of exchange and not wealth, Bonnard founded an institution whose object it was to enable every member to place at the disposition of every other member such of his worldly goods as he did not want in order to obtain therefor such as he desired to have. For instance, as described in one of his circulars: a sculptor being proprietor of land in an unfavorable location that could not be sold for money, transferred this property to the institution in exchange for orders on groceries and other necessaries of life or of his art. A builder who owned a mortgage that had defaulted, preferring this unfavorably situated land to his unprofitable mortgage, exchanged it for the mortgage. This mortgage was subsequently sold to a member who had been saddled with some second-hand furniture which he could not dispose of but which the institution could utilize, while the builder finally succeeded in getting rid of his land by transferring it partly to his creditors and partly to his laborers for their wages.

The operations of this Bank were apparently as complicated as some of those intricate family relationships where it finally turns out that a man is his own grandfather. But nevertheless, as it survived for ten years, its basis was not chimerical and it is quite possible that had Bonnard succeeded in founding thousands of institutions of the same kind, he might eventually have brought about a system of production which would have made bankers redundant and useless and the money power would then have disappeared from the land. However, his "Bank of Exchange," like the horse that had been trained to live without fodder and unfortunately died before the experiment had had a real chance of being tried out, ended in bankruptcy before he was able to have his ideas generally accepted.

My own introduction into economic studies was made through reading Adam Smith's *Wealth of Nations,* and like most of the students of my generation, I came under the spell of his inimitable style and cogent reasoning. I fully agreed with him that it is folly to consider money as wealth, and ridiculed with him the so-called " mercantile " theory under which the nations

of the world had for many centuries before our own enlightened times been obsessed with the fury of amassing gold, and shaped their policies so as to produce a so-called favorable balance of trade by means of which they hoped to let none of the gold of their country go out and to compel all the gold of other countries to come in. And I was fully imbued with the idea that the only way in which a country could increase its wealth through foreign trade was by exporting gold, which is a useless commodity, in exchange for those which are useful.

My first panic, however, taught me that the antiquated policy regarding gold, foolish as it might appear to our vision enlightened by Adam Smith and his successors for over one hundred years, nevertheless still ruled the affairs of the world. The one cry that was then heard above all others was for gold and the first importation of that commodity, which could be used for neither food nor clothes, was hailed like a relieving army by the starving garrison of a beleaguered fortress.

The most impressive spectacle which I witnessed in those perilous times was that of the great merchants and manufacturers—captains of industry—rushing to their safe deposit vaults in order to draw from them what they could sell or what they could pawn.

But why were these men whose warehouses and factories were chockful of cotton and woollen and leather goods, all necessaries of life, compelled to resort to their safe deposit vaults and draw upon their investments outside of their stock of goods, in order to pay their debts and thus remain solvent, maintain their business organizations, and pay the wages of their laborers? Why could they not do like the butcher and baker and grocer of my childhood days and convert their commodities into money, if not directly, at least indirectly through their banks? It was because of the money power. And this did not consist of the Morgans and the Rockefellers. In fact, it was the interest of the Morgans and the Rockefellers to use their mighty resources to stem the tide and avert the impending catastrophe. It was the money power of Tom, Dick and Harry, who feared for the safety of their deposits, and thus either for the purpose of protecting their own solvency or of placing themselves in the po-

sition of purchasing securities at sacrifice prices, withdrew those deposits and hoarded their money, and so withdrew from the banks the ability to help merchants to convert their commodities rapidly into money by means of loans.

The only hope in those times, therefore, seemed to be to increase the volume of money by importation of gold, or to attract the money hoarded at home by sacrificing securities on the Stock Exchange. And so the only loans that the banks were able or willing to make to the merchants were not on their wealth as stored in their warehouses and factories or on their book accounts for merchandise sold, but on such as could be pawned in the form of securities that could be converted into money at any moment on the Stock Exchange notwithstanding the panic. And this because only loans on call against Stock Exchange securities could be relied upon to meet the demands of the bank's own creditors—the depositors—whose names on the whole sound much more like Messrs. Thomas, Richard and Henry than like Messrs. Rockefeller and Morgan.

Several truths in relation to banking impressed themselves upon me strongly in consequence of this and subsequent panics:

First. Money lending on the part of a bank has two completely distinct aspects—lending on securities and lending on credit; and securities themselves are of two distinct classes, viz., those which have a ready market on the Stock Exchange and those which have not.

Second. The easiest and simplest method for a bank to lend its funds and at the same time the one involving the least responsibility and resulting in the least profit is that of lending money on call on securities which have a ready market on the Stock Exchange. It requires comparatively little experience to read the quotations and fix the margins on which the money is to be loaned. It requires, on the other hand, great experience, knowledge of human nature and intimate insight into the affairs of the various borrowers in order to be successful in lending on credit.

Third. Ordinarily there is very little if any preference shown by banks in the lending on Stock Exchange securities, as there is no greater leveller than a Stock Exchange quotation. A

merchant or a manufacturer may have greater or less skill in marketing his products while the owner of marketable securities, no matter who he may be, can go to any member of the Stock Exchange, no matter who he may be, and convert his securities into money on short notice, be he rich or poor, wise or foolish, honest or dishonest. If the bank, therefore, lends on such securities and the margin is not kept, it can immediately realize, and therefore the character of the borrower is of minor importance. Nevertheless, in times of panic when the lending power becomes restricted by the withdrawal of deposits, the bank discriminates among the borrowers, not on account of preference for securities but on account of relations which the borrowers may have with the bank; and of course its largest depositors, or those who can influence most business in favor of the bank, will then have preference.

Fourth. Whatever the ultimate cause of panics may be the proximate cause is the withdrawal of deposits from banks, as this compels them to restrict their loans, with the result that merchants and manufacturers who borrow on their credit can no longer be satisfactorily accommodated, as depositors must be paid on demand and therefore will not wait for the maturity of promissory notes.

Fifth. The overwhelming position occupied by what is known as Wall Street during a panic does not arise therefore out of its control of money or as a *money* power, but by its control of assets that are immediately convertible into money, and therefore by its control of the lendable funds—that is to say, by its *borrowing* power—the money itself being still owned by the public at large.

Sixth. The hold, therefore, which Wall Street obtains on the funds of the banks cannot be broken by any legislation that aims at the so-called money power, but only by legislation which equalizes the borrowing conditions and such borrowing conditions cannot be equalized by any legislation as long as banks must respond at a moment's notice to the demands of their own depositors, which in times of panic are overwhelming, with no other means of doing this except by the sales of securities.

Our legislation must therefore aim at securing the same facility for immediate liquidation of loans on credit that now exists for loans on Stock Exchange securities, in this merely following the example of the leading European countries, where panics have been unknown for a long period of years because the promissory note based on credit of the merchants and manufacturers, farmers and planters can be as readily converted into money as Stock Exchange securities; and even more satisfactorily, as enforced liquidation on the Stock Exchange involves enormous sacrifices in the value of the securities, while the conversion of commercial credit into money, according to the European method, is accomplished at par.

Seventh. As a corollary of the above, I have also drawn the conclusion that our legislation against trusts, which has been so ineffective in the past, must remain abortive as long as the discrimination which our present banking methods of necessity exercise against the credit of the producer and merchant in favor of the investor or speculator in Stock Exchange securities, is not corrected by legislation. It has been said that tariff is the mother of trusts, but this generalization is too narrow. It is inequality in competition combined with a faulty banking system that has produced the concentration of capital which we call a trust. It was discrimination against the commercial paper of the average manufacturer and the average merchant, who for many years were constantly working under the dread of bankruptcy, which caused them to prefer to give up their independence and convert their property into a Stock Exchange security; and trusts will continue to be born as long as this discrimination continues: that is to say, as long as it becomes impossible for a village blacksmith to become his own banker in the sense that the owner of Stock Exchange securities is to-day his own banker—as long as he is deprived of an equal facility of converting his commercial transactions into money by means of loans based on his credit—he will be tempted either to combine or quit.

II

The panic of 1907 was distinguished from its predecessors by an extraordinary development of what is called "Clearing

House Loan Certificates," different from the orders of the butchers and bakers of my childhood's days in that they were based not on the assets of an individual, but on the solid foundation of the combined assets of the great associations of banks known as Clearing Houses. But aside from this, that panic marks an epoch in our economic history, as through the indomitable energy of Senator Aldrich Congress took notice of our monetary situation in a twofold manner: by enacting a law providing for a temporary emergency currency to the extent of $500,000,000, and creating a commission to study the money question with the view of preparing recommendations for permanent reform. This commission, under the presidency of Senator Aldrich, has been most assiduous in its labors. It has collected extremely valuable material not only in this country, but throughout the whole civilized world, and has earned for itself the gratitude of all our citizens, rich and poor alike. Its labors have now culminated in a Bill introduced on January 9, which has for its main purpose the establishment of an institution under the name of "The National Reserve Association of the United States" which shall have the right to issue currency based on promissory notes of merchants, manufacturers, farmers and planters, thus providing a credit currency distinct from our asset currency based on investments—that is to say, bank-notes based on credit, distinct from and for a time at least, in addition to, our national bank-notes, based on assets in the form of Government Bonds. This credit currency differs in no wise, in principle, from the negotiable commercial paper now having a limited and conventional circulation, as it merely substitutes one promise to pay for another; but it is vastly different in its results, as it substitutes for the limited credit of the merchant, manufacturer, farmer and planter, based on individual confidence, a universally acknowledged credit based on universal confidence in the ability of the institution issuing the notes to convert them into gold on demand.

That we have suffered untold ills from the absence of such a currency, which in one form or another constitutes the main circulating medium of all civilized countries except our own, is an indisputable fact, and that the reform proposed by the monetary

commission is a pressing necessity, I believe all students of the question will be inclined to admit. The details of the reform are, however, open to debate, and as Senator Aldrich in his most interesting address to the Economic Club invited the criticism of all business men, I feel myself impelled to contribute my mite to the great work which he has in hand.

III

The poet Racine, writing in 1690, relates that upon taking inventory of a deceased gentleman's estate a gold dollar was found carefully wrapped up, with the remark: "This dollar is set aside for the rent of a seat to see a financier hanged." In our less bloodthirsty age even the extremists are content with seeing him safely in jail; the more moderate are satisfied with having him handcuffed, figuratively: so as, at least, to hold his clutches off other people's money.

The monetary commission, in conformity with this sentiment in its mildest form, devotes sixteen sections of its Bill to provisions limiting stockholding in the National Reserve Association and the vote thereon, in the evident attempt to preserve it for all time from the control of the "money trust." Not everyone who wishes can become a stockholder. This right, in fact, is very strictly limited. Only national banks are absolutely qualified; State banks and trust companies conditionally. In no event can any of these institutions (all denominated banks in the Bill) subscribe for more than twenty per cent. of their capital (nor are they admitted for less). The subscribers are grouped into local associations, each of which has its own board of directors, of which three-fifths are chosen on the plan of a vote per bank and two-fifths by a vote per share. The local associations are grouped under fifteen districts, each of which contains a branch of the National Association. Each branch again has its own board of directors, one-half being elected on the basis of one vote for each association; one-third by one vote per share. The remaining one-sixth of the directors are to be chosen by the directors already elected and "shall fairly represent the agricultural, commercial, industrial, and other interests of the district and shall not be officers nor, while serving, directors of banks,

trust companies, insurance companies, or other financial institutions."

Lastly, the main Institution, the National Reserve Association itself, has a board consisting of forty-six directors. Of these seven are *ex officio*, viz., the governor of the Association, appointed by the President of the United States from nominees of the board of directors; two deputy governors, who are elected by the board; the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency. Thirty directors are elected by the branch boards, each branch having one vote, and of these thirty, fifteen must be selected from the agricultural, commercial and industrial classes, who are not directors of banks, trust companies, insurance companies, or other financial institutions. Only nine of the forty-six are chosen by share vote.

And thus the front-door is securely locked and barred. It is useless for financiers to prowl around there. I fear, however, that the back-door and the numerous side-doors are left wide open—for finance, like chess, is not a game of arithmetic, but of position. The actual control of the funds of a banking institution residing in the *borrowing* power, the question as to who shall own the shares and how they shall be voted will always be of secondary importance compared with the question as to the channels in which the money of the institution shall flow.

Now what are the channels designated in the Bill?

First. Commercial paper under strict limitations, the necessary indorsement being in all cases limited to stockholding banks having a deposit with the National Association, and where the paper has more than twenty-eight days to run it must not only be indorsed by such a bank, but the guarantee of the local association in which the bank is a member must also be obtained, and such local association may require security for its guarantee: thus converting credit paper into pawn paper.

Second. In times of trouble the Association may discount the direct obligation of a depositing bank indorsed by its local association, provided that this obligation is fully secured by pledge of satisfactory securities. Non-depositing banks are not permitted any aid whatever.

Third. Under certain conditions the Association may purchase prime bills, if indorsed by a subscribing bank, and foreign bills at pleasure.

Fourth. The Association may invest in United States bonds, also obligations having not more than one year to run of the United States or its dependencies, or of any State or of foreign Governments.

The old melody on a new instrument. Stock Exchange securities and prime bills—bankers and brokers—Wall Street, Pine Street; not much chance here for the push-cart peddler of Hester Street or the village blacksmith in far Oklahoma. The only organization which has reason for triumph in the creation of the National Reserve Association is the National Federation of Labor. We have, indeed, a musicians' union, and it is even alleged that a poets' union is in process of formation; but who could have imagined that Congress would create a banks' union; so that in future, in addition to scab musicians and scab poets, we shall have scab banks?

But I surmise that even many "Union" banks of recognized standing would rather go on as they are now than be compelled, whenever they have paper to offer for rediscount, first to knock humbly at the door of the local association and beg for its guarantee, and if refused, make another effort by offering their securities in pawn.

The idea of limiting the benefits of a central bank to its stockholders is, moreover, not new; it was tried over one hundred years ago and found wanting. When the Bank of France was first incorporated the stockholders were for a large part the First Consul and his family. Three years later, having in the meantime become Emperor, Napoleon felt so strongly on this subject that he sent a despatch even from the battlefield of Jena, ordering the Bank of France to extend its benefits to every commercial house in the country; and thereupon, with the new charter of 1806, the stockholders' monopoly ceased and has never been restored.

But with the rediscounting of commercial transactions so limited as to be of little use to the great body of our citizens,

the capital of the Association will necessarily be invested principally in obligations of the United States, its dependencies, and those of States and foreign Governments, and in prime bills, foreign exchange and the like. So after all, the labors of the commission, after raising great hopes in the breasts of Messrs. Thomas, Richard and Henry, by the natural working of economic laws finally vest the control of the funds of the Association in the dreaded financiers as completely as though they had named every director, national, branch and local.

The next most important feature of the Bill is the limitation of the note issues, manifestly imposed under the apprehension that such issues might lead to inflation unless strictly guarded. And thus the total amount authorized free from special taxation, including the present issue of national bank notes, is only $900,000,000, unless the excess be covered by gold or lawful money; and even with the payment of a tax as high as five per cent. the issue cannot be increased beyond $1,200,000,000. As we have at present in circulation national bank notes to the amount of about $720,000,000, the normal increase for ten years provided by the Bill is only about $180,000,000, and even in the event of panics only about $480,000,000—probably less than the amount of Clearing House Loan Certificates, cashiers' checks, and other substitutes for circulating notes, necessitated in 1907.

I cannot share the apprehension of the commission, as I cannot understand how the mere fact that money paper is issued by a public institution instead of by individuals can cause inflation. Currency based on legitimate commercial transactions is not fiat money, and not liable to the abuses of such money. The only difference between the promissory note of an individual and a circulating note is that the faith in the latter is so universal that it is accepted by the public without question and therefore is merely a higher form of credit. There is, consequently, no reason why there should be any limit on circulating notes, as long as there is no limit on private notes. Indeed, I am firmly convinced that if a truly liberal credit currency system were adopted, not only would there be no danger of its causing inflation, but on the very contrary our business would become far more conservative than it is at present, as all commercial transactions

would rapidly accommodate themselves to the system, and therefore the unsatisfactory method of book debts, which tempts to extravagance, speculation and dishonesty would, in time, be eliminated. To-day many a merchant or manufacturer buys more than he can readily sell, as his seller cannot easily collect and so can be held off for a long period. With the certainty of turning the promissory note of the purchaser into money the seller would soon require such a note for all goods sold, and the purchaser would be careful not to overstock, as he would be at the mercy of his creditor in short order if he failed to pay. In fact, what we are suffering from is a contracted currency, which has impaired the foundation of our business, rendered it top-heavy, and ready to topple over at any severe concussion.

In the comparatively short time that I have been in active commercial life I have witnessed eleven panics, from the one brought on by the failure of Grant and Ward in 1884 to the one of 1907, all of which caused widespread disaster, some of them actually amounting to national calamities. As the monetary commission remarks in its reports, "panics of such a character have been unknown in Europe for the last fifty years," and they correctly attribute this to the existence of central institutions, which in time of public mistrust come to the aid of commerce by discounting commercial paper with great liberality, and thereby restore credit before the mistrust has become ungovernable.

Let us therefore not be chary in granting our own Institution the means of affording the relief which other nations have so successfully granted to similar institutions.

The fourth preoccupation of the commission is the maintenance of a strong reserve in gold and lawful money of the United States. As soon as this reserve falls below fifty per cent., a tax on an increasing sliding scale is exacted until it is reduced to thirty-three and one-third per cent., and when this percentage is reached an issue of further notes is inhibited. The Bill is silent as to what will happen to us after that fatiferous stage. Are we expected, in order to avert a cataclysm, to resort to the Clearing House Loan Certificates, cashiers' checks and other devices of 1907? Or shall our State Governments order a suspension of the session of the courts so as to give the country a breathing space until the President of the United States can call an extra session of Congress to remove the inhibition?

I am an ardent advocate of a strong gold reserve. I think it, however, utterly wrong to convert the gold idea into a fetich, or rather a Moloch, a ravenous god who must be appeased, even though it be by holocausts on a vast scale. Of course suspension of specie payment on the part of a Central Institution is a grave matter. Nevertheless it occurred a number of times during the last century. The Bank of France was compelled to resort to it in 1848 and again in 1870, and the Bank of England as late as 1866 only saved itself from suspension of specie payment by the suspension of the law which limited its note circulation. Yet although the suspensions of the Bank of France took place during a revolution and during a calamitous foreign war, in the latter case there was only a moderate temporary depreciation of its circulating notes, and in the former those notes actually rose to a premium as against gold.

All this proves that, after all, Adam Smith was right, and that gold, however useful and essential a commodity, is only the mediate and not the ultimate reserve of a country; for this consists in the industry, economy and honesty of the people who constitute a country. And thus panics, which are produced by the fear of suspension, are relieved when it actually occurs, confidence then returning in a people's true reserve, that is to say, confidence on the part of the people in general that banks, as well as merchants, will sooner or later pay their debts in gold.

The protection of the gold reserve of a Central Institution need, therefore, go no further than the raising of the rate of discount and thus, on the one hand, attracting gold from all parts of the world, and on the other giving such temperate and prudent checks to commercial transactions as may be needed in order to diminish the demand for money. The money actually needed for the liquidation of existing transactions, however, should never be refused, as this cannot be done without nullifying the very purpose for which a gold reserve is maintained, that is, without destroying confidence and precipitating panics.

IV

Senator Aldrich in the above-mentioned address not only invited criticism, but also asked for coöperation; and in this spirit I shall now venture to make certain suggestions for amendments of the Bill, in the sincere hope that some or all of them may commend themselves to the commission and Congress.

First. As is apparent from the Bill and the report of the commission, its main purpose is to provide for the rediscount of commercial paper, and I therefore suggest that this be the only purpose, and made plain in the very name of the institution to be created, by calling it, for instance, the Discount Bank of the United States; and in order fully to accomplish this purpose, the capital and circulating notes authorized by the Bill should only be expended for the purchase of commercial paper and the bullion and money which is to constitute the reserve, with a proviso permitting such limited dealing in foreign bills as may be necessary to strengthen the position of the bank in the bullion markets of the world.

Second. The reserve in bullion, gold coin and other lawful money of the United States should ordinarily be maintained in the proportion of one to three as to the outstanding circulating notes, and should it fall below this proportion then a tax at the rate of five per cent. per annum should be payable on the notes issued in excess of this proportion.

Third. The note issue should have no limit so as to expand and contract freely with the natural expansion and contraction of commerce, according to the seasons of the year and the fluctuating industrial conditions. Nor should any limit or qualifications be placed as to the paper to be discounted beyond that it should represent a strictly commercial transaction, be signed by the purchaser and indorsed by the seller and a moneyed institution, be it a national bank, State bank, trust company or private banker; the only ground for rejection to be doubt as to the financial responsibility of the parties to the note, or that its date of payment exceeds ninety days or in some cases four months. Such discounting, of course, calls for considerable discretion on the part of the officers of the bank, and for this reason it should have numerous branches throughout the country, each covering a territory narrow enough to enable the branch manager to become thoroughly familiar with the standing of the banks and other qualified indorsers who may present paper for rediscount.

Fourth. As to the disposition of the profits of the bank: after a fair percentage has been applied to the reserve, dividends not to exceed five per cent. should be paid to the shareholders, and additional profits divided between the Government and the reserve account.

Fifth. The circulation of the national banks should be left intact, at any rate until the new monetary plan shall have been thoroughly tested and found fully to fill the task set for it, so that we may have an evolution and not a revolution, particularly as the mere addition of a fifth form of paper currency to the four now existing can cause no inconvenience, since the last comer as well as the others is to be convertible into gold on demand.

Sixth. Every citizen should be treated with absolute equality to the extent of his legitimate credit, from the village blacksmith and push-cart peddler with their ten-dollar promissory notes to the merchant prince with his million. In order to furnish no ground for the infiltration of favoritism, it should be made unlawful for the bank to accept deposits, and this particularly as the right to issue untaxed circulating notes is a complete substitute.

Seventh. As the bank should be for the people, it ought to be owned by the people and not by a special class. The shares should have a par value of ten dollars and be offered for public subscription, in the hope that every laborer and every farm-hand will become a stockholder. No corporation should be permitted to subscribe and no subscription in excess of $100,000, directly or indirectly, should be accepted from any one person; and in the event of over-subscription, subscribers for the lowest number of shares should be given preference. In order to prevent the control of any large proportion of the shares from passing to the owners of concentrated wealth, the voting power should be strictly limited to the person, so that each shareholder shall have one vote, no matter how many shares he may own. It must be

remembered that the bank is to be a public institution and as in this country we have adopted the policy that each citizen has one vote for the election of all public officers, regardless of his pecuniary interest in the country, why should we fear to adopt the same principle for a bank that is to exercise the great public function of issuing money based on the commercial transactions of its citizens, regardless of their wealth and their station in life?

As to the organization of the bank, I suggest forty-eight directors, one for each State; and that no one should be eligible to that office who has not held a position of president, vice-president, or cashier of a national bank for at least ten years.

As to the mode of election, the stockholders of each State should in person, and not by proxy, cast ballots for any resident of the State who shall have the above qualification, and if on the first ballot no one should obtain a majority, there should be a second ballot limited to the ten candidates who shall have received the highest number of votes. If upon the second ballot no candidate shall have received a majority of the votes, then there shall be a third ballot among the three candidates who shall have received the highest number of votes on the second ballot; and on such ballot a plurality vote shall elect. The directors of the bank should choose their own president, vice-president and other officers and an executive committee, who should all reside in Washington, and devote their full time and attention to the affairs of the bank, receiving salaries sufficiently high to be attractive to experienced men of acknowledged ability. To keep officers and directors in check there should be provision not only for the fullest publicity of the bank's transactions, but also for general supervision and examination on the part of the Comptroller of the Currency and the Secretary of the Treasury.

Lastly, I feel myself justified in claiming that with a bank so organized, with every man a shareholder in an Institution which is ready to convert into currency, if not his commodities on hand, at least those he has sold, and under conditions generally applicable, we shall closely approach, even if we do not altogether reach, the ideal condition of " Every man his own banker."

MSH 20345

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TITLE